

State of South Dakota

SEVENTY-FIFTH SESSION LEGISLATIVE ASSEMBLY, 2000

553D0584

SENATE BILL NO. 152

Introduced by: Senators Halverson, Daugaard, and Olson and Representatives Brown (Jarvis),
Broderick, Earley, and Pummel

1 FOR AN ACT ENTITLED, An Act to provide a financial institution with an insurable interest
2 with reference to personal insurance.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 Section 1. That § 58-10-4 be amended to read as follows:

5 58-10-4. "Insurable interest" with reference to personal insurance includes only interests as
6 follows:

7 (1) For individuals related closely by blood or by law, a substantial interest engendered
8 by love and affection;

9 (2) For other persons, a lawful and substantial economic interest in having the life, health,
10 or bodily safety of the individual insured continue, as distinguished from an interest
11 which would arise only by, or would be enhanced in value by, the death, disablement,
12 or injury of the individual insured;

13 (3) A person who is a party to a contract or option for the purchase or sale of an interest
14 in a business partnership or firm, or of shares of stock of a closed corporation or of
15 an interest in the shares, has an insurable interest in the life of each individual party
16 to the contract and for the purpose of the contract only, in addition to any insurable

1 interest which may otherwise exist as to the life of the individual;

2 (4) A charitable organization that meets the requirements of section 501(c)3 of the
3 Internal Revenue Code of 1986, as amended to January 1, 1992, and owns or
4 purchases life insurance on an insured who consents to the ownership or purchase of
5 the insurance has an insurable interest in the life of the insured;

6 (5) A financial institution to whom a debt is owed has an insurable interest in the life of
7 the insured to the extent of the debt owed by the insured, irrespective of any statute
8 of limitation regarding the enforceability of the debt.